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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NO.

8-37854

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities
Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING

01/01/07

MM/DD/YY

AND ENDING

12/31/07

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Calamos Financial Services LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:
(Do not use P.O. Box No.)

2020 Calamos Court

(No. and Street)

Naperville

(City)

IL

(State)

60563

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Patrick H. Dudasik

630.245.7200

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

(Name -- if individual, state last, first, middle name)

KPMG LLP

303 East Wacker Drive, 14th Floor

(ADDRESS)

Number and Street

Chicago

City

Illinois

State

60601-5212

Zip Code

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

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FINANCIAL

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Section

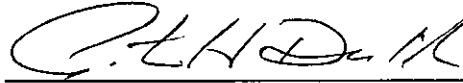
FEB 29 2008

Washington, DC
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

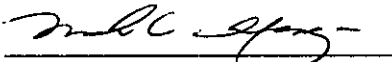
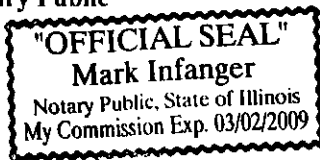
OATH OR AFFIRMATION

I, Patrick H. Dudasik, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Calamos Financial Services LLC as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Name: Patrick H. Dudasik

Title: Executive Vice President, CFO & CAO


Notary Public

This report ** contains (check all applicable boxes):

- | | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | (a) Facing Page |
| <input checked="" type="checkbox"/> | (b) Statement of Financial Condition |
| <input checked="" type="checkbox"/> | (c) Statement of Operations |
| <input checked="" type="checkbox"/> | (d) Statement of Cash Flows |
| <input checked="" type="checkbox"/> | (e) Statement of Changes in Stockholder's Equity of Partners' or Sole Proprietor's Capital |
| <input type="checkbox"/> | (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors |
| <input checked="" type="checkbox"/> | (g) Computation of Net Capital |
| <input type="checkbox"/> | (h) Computation for Determination of Reserve Requirement Pursuant to Rule 15c3-3 |
| <input type="checkbox"/> | (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 |
| <input type="checkbox"/> | (j) A Reconciliation, including appropriate explanation, of the computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3 |
| <input type="checkbox"/> | (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation |
| <input checked="" type="checkbox"/> | (l) An Oath or Affirmation |
| <input type="checkbox"/> | (m) A Copy of the SIPC Supplemental Report |
| <input type="checkbox"/> | (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit |

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CALAMOS FINANCIAL SERVICES LLC

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Member's Capital	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	12
Independent Auditors' Report on Internal Control Required by Rule 17a-5 of the Securities and Exchange Commission	13



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditor's Report

The Member of
Calamos Financial Services LLC:

We have audited the accompanying statement of financial condition of Calamos Financial Services LLC (the Company) as of December 31, 2007, and the related statements of operations, changes in member's capital, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calamos Financial Services LLC at December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chicago, Illinois
February 28, 2008

CALAMOS FINANCIAL SERVICES LLC
Statement of Financial Condition
December 31, 2007

Assets

Cash	\$526,350
Receivables:	
Affiliated funds	1,925,421
Affiliates	1,729,878
Securities owned	35,364,961
Prepaid expenses and other assets	54,828
Total assets	<u>\$39,601,438</u>

Liabilities and Member's Capital

Payables:	
Brokers	\$19,874,142
Affiliates	368,224
Accrued compensation and benefits expenses	6,854,152
Other accrued expenses	255,934
Total liabilities	<u>27,352,452</u>
Contributed capital	621,083
Accumulated earnings	<u>11,627,903</u>
Total member's capital	<u>12,248,986</u>
Total liabilities and member's capital	<u>\$39,601,438</u>

See accompanying notes to financial statements.

CALAMOS FINANCIAL SERVICES LLC
Statement of Operations
Year ended December 31, 2007

Revenues:

Distribution fees	\$106,230,169
Administrative services fees	16,482,956
Commissions	2,365,904
Interest and dividends	865,806
Net realized and unrealized gain	<u>810,926</u>
	<u>126,755,761</u>

Expenses:

Distribution expenses	103,908,523
Employee compensation and benefits	10,241,411
Administrative and technology services	2,282,915
Occupancy	1,272,801
Dues, licenses and fees	235,114
Other operating expenses	<u>3,849,676</u>
	<u>121,790,440</u>
Net income	<u>\$ 4,965,321</u>

See accompanying notes to financial statements.

CALAMOS FINANCIAL SERVICES LLC
Statement of Changes in Member's Capital
Year ended December 31, 2007

	<u>Contributed capital</u>	<u>Accumulated earnings</u>	<u>Total</u>
Balance at December 31, 2006	\$487,316	\$6,671,279	\$7,158,595
Net income	—	4,965,321	4,965,321
Compensation expense recognized under stock incentive plans	186,005	—	186,005
Shares withheld to pay employee taxes on vesting under stock incentive plans	(52,238)	—	(52,238)
Dividend equivalent accrued under stock incentive plans	—	(8,697)	(8,697)
Balance at December 31, 2007	<u>\$621,083</u>	<u>\$11,627,903</u>	<u>\$12,248,986</u>

See accompanying notes to financial statements.

CALAMOS FINANCIAL SERVICES LLC
Statement of Cash Flows
Year ended December 31, 2007

Cash flows from operating activities:	
Net income	\$4,965,321
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Stock-based compensation	186,005
Employee taxes paid on vesting under stock incentive plans	(52,238)
Proceeds from sale of investment in partnership	629,193
Net (increase) decrease in assets:	
Receivables from affiliates	(1,687,136)
Receivables from affiliated funds	64,357
Securities owned	(5,732,442)
Prepaid expenses and other assets	(10,666)
Net increase (decrease) in liabilities:	
Payables to brokers	(1,041,859)
Payables to affiliates	116,434
Accrued compensation and benefits	2,871,251
Other accrued expenses	146,781
Total adjustments	<u>(4,510,320)</u>
Net cash provided by operating activities	<u>455,001</u>
Net increase in cash	455,001
Cash at beginning of year	<u>71,349</u>
Cash at end of year	<u>\$526,350</u>

See accompanying notes to financial statements.

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

(1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Calamos Financial Services LLC (the Company) is a wholly owned subsidiary of Calamos Holdings LLC (Holdings). Calamos Asset Management, Inc. (CAM) is the sole manager of Holdings and operates and controls all of the business and affairs of Holdings. The Company, a registered broker and dealer in securities under the Securities Exchange Act of 1934, acts as the sole distributor of the Calamos open-end mutual funds (collectively the Funds). As such, the Company receives distribution and service fees from the Funds and generally pays these fees to financial intermediaries. Additionally, the Company has been appointed distributor of Calamos Global Funds PLC, but has no requirement to perform actual distribution services. Calamos Global Funds PLC is an Ireland-domiciled open-end umbrella company consisting of Undertakings for Collective Investment in Transferable Securities (UCITS), which are registered in the Republic of Ireland. Currently, the Company is entering into sub-distribution arrangements for the UCITS.

Securities Owned

As a broker-dealer, readily marketable securities owned are carried at market value and unrealized gains and losses are included in the statement of operations. The Company records securities owned on a trade date basis.

Revenues

Distribution fees consist of Rule 12b-1 distribution and service fees from the Funds that are earned on the distribution of mutual fund shares and are based on the average daily assets of the Funds. Commission revenues are recognized on settlement date. The use of settlement date rather than trade date does not have a material effect on the Company's financial statements. Administrative service fees are received for services provided to shareholders and prospective shareholders of the Funds. Net realized and unrealized gains and losses on securities owned are classified as net realized and unrealized gain in the statement of operations. Interest and dividends consists of interest earned on cash and cash equivalents and dividends earned on securities paying dividends, both of which are recognized when earned. Dividend income is recognized on the ex-dividend date.

Stock-Based Compensation

The Company participates in CAM's incentive stock plan that provides for grants of restricted stock unit (RSU) awards and stock option awards to officers and certain employees of the Company. RSUs are convertible on a one-for-one basis into shares of CAM's common stock. Stock option awards are made in shares of CAM's common stock. The Company estimates the fair value of the options as of the grant date using the Black-Scholes option-pricing model. The Company records compensation expense on a straight-line basis over the service period.

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

Taxes

The Company is organized as a single-member limited liability company and has no federal tax liability. State tax liabilities are determined under individual state nexus laws and were determined to be immaterial for presentation and disclosure purposes for the year ended December 31, 2007.

Use of Estimates in the Preparation of Financial Statements

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) Related-Party Transactions

Holdings and certain of its affiliates share personnel, office space and equipment with the Company, whereby expenses and costs, which benefit each company, are allocated based on a management services agreement and are in accordance with the NASD Notice to Members 03-63, *Expense-Sharing Agreements*. Expenses allocated between the companies are included in the statement of operations. The following is a summary of these expenses for the year ended December 31, 2007:

Expenses allocated to the Company from Holdings and other affiliates:	
Occupancy	\$1,272,801
Administrative and technology services	2,282,915
Other operating expenses	<u>1,704,779</u>
Total	<u>5,260,495</u>
Expenses allocated to Holdings and other affiliates from the Company:	
Compensation and benefits	6,194,476
Other operating expenses	<u>974,833</u>
Total	<u>7,169,309</u>
Net expenses allocated to Holdings and certain of its affiliates from the Company	<u><u>\$ (1,908,814)</u></u>

The Company is party to an agreement with Calamos Advisors LLC (Advisors), whereby Advisors pays the Company for administrative services provided to existing and prospective shareholders of the Funds and for distribution services provided to Advisors, among other services and activities. The Company received \$16,307,956 for administrative and distribution services from Advisors during the year ended December 31, 2007.

The Company is party to a non-recourse agreement with Advisors to sell and transfer, outright all of its rights, title and interest in certain fee payments to Advisors. In accordance with this agreement, the fee payments specifically consist of and are limited to: (a) Class B distribution fees; (b) Class C distribution and services fees (with respect to Class C Shares during the first year after such shares are purchased); and (c) contingent deferred sales charges on Class A, Class B and Class C shares of the Funds. In exchange for fees identified above, Advisors agrees to pay certain amounts including the following: (a) amounts required to

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

make commission payments on Class A shares of the Funds for purchases through the large purchase order net asset value privilege; (b) commission payments on Class B shares of the Funds; (c) amounts required to make 12b-1 fee payments to financial service firms with respect to Class C shares of the Funds during the first year after shares are purchased; and (d) other various amounts as agreed upon from time to time. For the year ended December 31, 2007, Advisors paid \$12,218,462 for fee payments on A, B and C fund share sales in accordance with the terms of the non-recourse agreement.

The Company is the distributor for the Funds. For the year ended December 31, 2007, the Company earned \$106,230,169 of distribution fees from the Funds that are not subject to the above mentioned agreement with Advisors. These distribution fees are generally paid to brokers and other financial intermediaries. Commission revenue of \$2,365,904 represents front-end sales charges earned from the sale of shares of the Funds for the year ended December 31, 2007. Expenses and costs paid by the Company on behalf of the Funds are billed to the Funds. Uncollected commissions and distribution fees due from the Funds at December 31, 2007 were \$1,925,421.

From time to time, other receivables and liabilities occur in the ordinary course of business between the Company and its affiliates. At December 31, 2007, the Company had a receivable due from various affiliates of \$1,729,878 and a payable to various affiliates of \$368,224.

(3) Financial Instruments

The carrying values of cash, receivables and payables approximate fair value due to the short maturities of these financial instruments.

(4) Securities Owned

At December 31, 2007, securities owned at fair value consist of the following:

Money market funds	\$31,059,017
Calamos mutual funds	4,043,647
Common stock	262,297
	<u>\$35,364,961</u>

(5) Investment in Partnership

During the first quarter of 2007, the Company liquidated its investment in Calamos Multi-Strategy, L.P. The Company had an interest of \$629,193 in Calamos Multi-Strategy, L.P. as of December 31, 2006.

(6) Payable to Brokers

At December 31, 2007, the Company had payments due to brokers and other financial intermediaries for 12b-1 distribution and services fees in the amount of \$19,874,142.

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

(7) Profit Sharing Plan

The Company contributes to a defined-contribution profit sharing plan (the PSP Plan) covering substantially all employees. Contributions to the PSP Plan are at the discretion of the Company and are primarily invested in the Funds. For the year ended December 31, 2007, the Company recorded expense for the contributions to the PSP Plan in the amount of \$977,822. This expense is included in employee compensation and benefits on the statement of operations.

(8) Stock-Based Compensation

Under CAM's incentive compensation plan, which is designed to retain key employees, certain employees of the Company receive stock based compensation comprised of RSUs and stock options. A total of 10,000,000 shares of CAM's common stock may be granted under the plan. CAM may use treasury shares, issue new shares or purchase shares of its Class A common stock upon the exercise of stock options and upon the conversion of RSUs.

RSUs entitle each recipient to receive a share of CAM's Class A common stock and a dividend equivalent to the actual dividends declared on the CAM's Class A common stock. RSUs are granted with no strike price and, therefore, the Company receives no proceeds when the RSUs vest. These awards, including accrued dividends, generally vest between four and six years after the grant date and are expensed on a straight line basis over the vesting period. During 2007, there were 21,217 RSUs with an estimated fair value of \$585,165 awarded to employees of the Company. Also during 2007, there were 594, net RSUs transferred to the Company from an affiliate related to employees transferring between the companies. A summary of the RSU activity for the year ended December 31, 2007 is as follows:

	Shares	Weighted Average Fair Value of RSUs Granted
Outstanding at December 31, 2006	14,040	\$20.37
Transferred in, net	594	25.04
Granted	21,217	27.58
Forfeited	(1,750)	29.73
Exercised upon vesting	(5,518)	18.00
Outstanding at December 31, 2007	<u>28,583</u>	<u>\$26.59</u>

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

At December 31, 2007, the Company had 28,583 RSUs outstanding with a weighted average remaining contractual life of 5.0 years and an aggregate intrinsic value of \$851,202. The aggregate intrinsic value and the fair value of RSUs vested and exercised during 2007 was \$145,620.

Stock options entitle each recipient to purchase a share of CAM's Class A common stock in exchange for the stated exercise price upon vesting of each award. Under the plan, the exercise price of each option, which has a 10-year life, equals the market price of CAM's stock on the date of grant. These awards vest between four and six years after the grant date. The fair value of the award is expensed on a straight line basis over the vesting period. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average fair value of options granted during 2007 was \$10.70 per option, using a dividend yield of 1.67%, expected volatility of 35%, a risk-free interest rate of 4.7% and an expected life of 7.5 years. During 2007, there were 63,651 stock options with an estimated fair value of \$681,066 awarded to employees of the Company. A summary of the stock option activity for the year ended December 31, 2007 is as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2006	11,124	\$26.97
Transferred out, net	(318)	26.45
Granted	63,651	27.58
Forfeited	(5,250)	29.73
Exercised	—	—
Outstanding at December 31, 2007	<u>69,207</u>	<u>\$28.64</u>

At December 31, 2007, the Company had 69,207 stock options outstanding with a weighted average remaining contractual life of 9.0 years and an aggregate intrinsic value of \$131,650. No stock options granted under this plan were exercisable as of December 31, 2007.

In connection with the RSUs and stock options, the Company recorded compensation expense of \$186,005 during 2007. At December 31, 2007, approximately \$1.3 million of total unrecognized compensation expense related to nonvested stock option and RSU awards is expected to be recognized over a weighted-average period of 7.1 years.

(9) Concentration Risk

Approximately 48% and 23% of the Company's total revenue for the year ended December 31, 2007 was derived from services provided to the Calamos Growth Fund and the Calamos Growth and Income Fund, respectively. Due to the nature of the Company's agreement to compensate financial intermediaries, a reduction in revenues related to these products would be immediately offset with a commensurate reduction in distribution expenses. This revenue and related expense is largely dependent on the level of assets under management in numerous individual shareholder accounts.

CALAMOS FINANCIAL SERVICES LLC
Notes to Financial Statements

(10) Regulatory and Net Capital Requirements

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. Rule 15c3-1 requires that the Company maintain minimum net capital, as defined, of \$1,823,501 at December 31, 2007, and requires that the ratio of "aggregate indebtedness" to "net capital," as those terms are defined by the rule, may not exceed 15-to-1. At December 31, 2007, the Company's net capital was \$9,175,221, which was \$7,351,720 in excess of its required net capital and its ratio of aggregate indebtedness to net capital was 2.98-to-1.

Schedule I

**CALAMOS FINANCIAL SERVICES LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2007**

Computation of net capital:	
Total member's capital	\$ 12,248,986
Deduct:	
Nonallowable assets:	
Receivable from affiliate	1,729,878
Rule 12b-1 receivables from affiliates	21,988
Prepaid expenses and other assets	54,827
Haircuts on securities positions	<u>1,267,072</u>
Total deductions	<u>3,073,765</u>
Net capital	9,175,221
Minimum net capital requirement (6 2/3% of aggregate indebtedness)	<u>1,823,501</u>
Net capital in excess of requirement	<u>\$ 7,351,720</u>
Aggregate indebtedness – accounts payable, accrued expenses and other liabilities	\$27,352,509
Ratio of aggregate indebtedness to net capital	298%

The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2007 filed by Calamos Financial Services LLC in its Form X-17A-5 with Financial Industry Regulatory Authority, Inc. on January 25, 2008.

The Company is exempt from computing the Reserve Requirements under Rule 15c3-3 paragraph (k)(2)(i) of the Securities and Exchange Commission as well as including Information Relating to the Possession or Control Requirements under Rule 15c3-3. The Company operates primarily with the purpose of distributing mutual fund shares and does not hold customer funds or safekeep customer securities.

See accompanying independent auditors' report.



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

**Independent Auditors' Report on Internal Control Required by
Rule 17a-5 of the Securities and Exchange Commission**

The Member of
Calamos Financial Services LLC:

In planning and performing our audit of the financial statements of Calamos Financial Services LLC (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5 (g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
February 28, 2008

END